

Program C: Debt Management

Program Authorization: La. Constitution, Article VII, Sections 6 and 8; R.S. 39:1401 et seq.

PROGRAM DESCRIPTION

The mission of the Debt Management Program is to provide staff to assist the State Bond Commission to carry out its constitutional and statutory mandates.

The State Bond Commission was created pursuant to Article VII, Section 8 of the Louisiana Constitution of 1974. Its purpose is to monitor, regulate, and coordinate state and local debt and provide for the issuance of debt and arrange for notices and sale of bonds.

The goal of the Debt Management Program is to provide assistance to the State Bond Commission by preparing all documentation for the issuance of state debt, reviewing all applications from political subdivisions for approval to issue debt, levy taxes, or obtain loans, and accounting for and servicing state debt.

According to the U.S. Bureau of the Census, Louisiana had the 23th highest per capita debt outstanding among all states at the end of FY 1996-97. This is an improvement over FY 1995-96, when Louisiana ranked 19th highest among all states, and FY 1994-95, when Louisiana ranked 14th highest. The ratios of general obligation bond debt service requirements to assessed property value, to market value of taxable property, and to the total state population, which are useful indicators of the state's debt position, are shown in the following table.

YEAR	STATE-SUPPORTED GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS TO MATURITY	DEBT SERVICE PER CAPITA	GENERAL OBLIGATION BONDED DEBT PER CAPITA	RATIO OF DEBT SERVICE TO ASSESSED VALUE OF TAXABLE PROPERTY	RATIO OF DEBT SERVICE TO FAIR MARKET VALUE OF TAXABLE PROPERTY
1999	\$2,521,989	Not available ¹	Not available ¹	Not available ¹	Not available ¹
1998	\$2,767,509	\$612.90	\$420.17	18.2%	1.6%
1997	\$2,823,305	\$625.74	\$428.21	19.2%	1.7%
1996	\$2,941,714	\$676.10	\$478.59	22.2%	2.0%
1995	\$3,377,945	\$777.97	\$539.12	27.9%	2.6%
1994	\$3,494,583	\$809.87	\$569.41	29.2%	2.7%
1993	\$3,560,631	\$829.02	\$586.19	32.0%	2.8%
1992	\$3,687,007	\$860.04	\$582.77	34.1%	3.0%
1991	\$3,753,844	\$882.84	\$596.79	34.8%	3.0%
1990	\$3,871,193	\$917.34	\$611.18	36.3%	3.1%
1989	\$4,278,095	\$976.29	\$638.03	39.8%	3.4%

¹Statistics are unavailable at this time.

Source: Division of Administration, Office of Statewide Reporting and Accounting Policy, *Louisiana Comprehensive Annual Financial Report For The Year Ending June 30, 1999*

As of February 2000, Louisiana has the following bond ratings from the New York bond-rating firms.

Moody's	A2
Standard & Poors	A-
Fitch Investors	A

OBJECTIVES AND PERFORMANCE INDICATORS

Unless otherwise indicated, all objectives are to be accomplished during or by the end of FY 2000-2001. Performance indicators are made up of two parts: name and value. The indicator name describes what is being measured. The indicator value is the numeric value or level achieved within a given measurement period. For budgeting purposes, performance indicator values are shown for the prior fiscal year, the current fiscal year, and alternative funding scenarios (continuation budget level and Executive Budget recommendation level) for the ensuing fiscal year (the fiscal year of the budget document).

The objectives and performance indicators that appear below are associated with program funding in the Base Executive Budget for FY 2000-01. Specific information on program funding is presented in the financial sections that follow performance tables.

1. (KEY) To convert existing data in the old state debt tracking system to the new tracking system.

Strategic Link: This operational objective is the program's Strategic Strategy I.1.5: Convert existing data in the old tracking system to the new tracking system and complete a phase out of the old tracking system. Completion of this objective marks completion of the program's Strategic Objective I.1: Replace current outdated automated state debt tracking system with a new Year 2000 compliance state debt tracking system by June 30, 2002.

Explanatory Note: Completion of this objective will allow department staff to maintain the State Debt Management Section of the State Bond Commission, which monitors the status of bonds issued by the state, manages and schedules debt service payments, maintains inventory of reimbursement contracts with local government and political subdivisions and monitors the collection activity of those contracts.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage of data from "old" debt tracking system input into "new" debt tracking system	Not applicable ¹	Not applicable ¹	Not applicable ¹	Not applicable ¹	100%	100%
K	Percentage completion of project to replace debt tracking system	Not applicable ²	Not applicable ²	Not applicable ²	50%	100%	100%

¹ This is a new performance indicator that did not appear under Act 19 of 1998 or Act 10 of 1999 and did not have performance standards for FY 1998-99 and FY 1999-00. Since this phase of the overall tracking system replacement project will not commence until FY 2000-01, prior year actual information is not applicable.

² This is a new performance indicator that did not appear under Act 19 of 1998 or Act 10 of 1999 and did not have performance standards for FY 1998-99 and FY 1999-00. Completion of Strategic Strategy I.1.4 (Designate a team responsible for the installation of the selected software package and provide training to 100% of personnel in the operation of the new state debt tracking system.) is scheduled for FY 1999-00 as Operational Objective 1. The existing performance standard value is an estimate, not a standard.

GENERAL PERFORMANCE INFORMATION: STATE DEBT MANAGEMENT

PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1994-95	PRIOR YEAR ACTUAL FY 1995-96	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99
Number of successful general obligation bond sales completed	1	1 ¹	1	1 ²	0
Dollar amount of new general obligation bonds sold (in \$ millions)	\$200	\$0	\$225.625	\$207.75	\$0
Number of bond issues managed (state level)	55	50	37	30	29
Dollar amount of debt service paid (in \$ millions)	\$383.45	\$315.76	\$225.06	\$257.32	\$228.76
Percentage of debt service payments that are timely and accurate	100%	100%	100%	100%	100%
Number of defaults of publicly held debt (state level)	0	0	0	0	0

¹ This was a refunding sale to refund \$426.525 million in old debt.

² Sale represented \$338.09 million in refunding old debt and \$207.75 in new general obligation debt.

2. (KEY) To reach full implementation of computerized database utilizing information gathered by the local government study group.

Strategic Link: This operational objective is the program's Strategic Strategy I.3.6: *Complete design of computerized database utilizing information gathered by the study group.* This operational objective marks the final step in completion of Strategic Objective I.3: *Design a computerized database of all debt issued beginning July 1, 1998, by local governmental units by June 30, 2002.*

Explanatory Note: Although access to this PC-based database is limited to agency staff (with secure access by ID and password), program staff, state agencies, legislators, and local governments will all benefit by having a centralized database of local government applications approved by the State Bond Commission.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage completion of implementation of computerized database on local government debt	Not applicable ¹	Not applicable ²	Not applicable ¹	50% ³	100%	100%

¹ This is a new performance indicator that did not appear under Act 19 of 1998 or Act 10 of 1999 and did not have performance standards for FY 1998-99 and FY 1999-00. Since this phase of the overall tracking system replacement project will not commence until FY 2000-01, prior year actual information is not applicable.

² Completion of Strategic Strategies I.3.1 through I.3.2 was accomplished by the end of FY 1998-99 and marked partial completion of the entire project to design the computerized database on local government debt.

³ Completion of Strategic Strategy I.3.5 (*To designate a study group within the State Bond Commission staff to develop a plan to design a computerized database of all debt issued.*) is scheduled for completion in FY 1999-00 as Operational Objective 2. Completion of this operational objective marks another step in the completion of the entire project to design the computerized database on local government debt.

GENERAL PERFORMANCE INFORMATION: LOCAL DEBT REVIEW AND OVERSIGHT				
PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1995-96	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99
Number of local government elections reviewed	282	350	275	257
Number of local government lease purchases reviewed	55	60	41	122
Total number of reviews conducted to assist with debt issuance	557	1,216	423	3,352
Total par amount of issues reviewed (in \$ millions)	\$1,874.2	\$1,242.5	\$1,280.0	\$4,250

RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1998-1999	ACT 10 1999- 2000	EXISTING 1999- 2000	CONTINUATION 2000 - 2001	RECOMMENDED 2000 - 2001	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$0	\$0	\$0	\$0	\$0	\$0
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	1,039,139	2,044,557	2,177,897	2,235,670	2,212,777	34,880
Statutory Dedications	0	0	0	0	0	0
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
TOTAL MEANS OF FINANCING	<u>\$1,039,139</u>	<u>\$2,044,557</u>	<u>\$2,177,897</u>	<u>\$2,235,670</u>	<u>\$2,212,777</u>	<u>\$34,880</u>
EXPENDITURES & REQUEST:						
Salaries	\$363,857	\$422,340	\$422,340	\$439,687	\$430,026	\$7,686
Other Compensation	23,850	27,300	27,300	27,300	27,300	0
Related Benefits	65,115	66,966	66,966	68,431	71,129	4,163
Total Operating Expenses	60,880	76,907	76,907	90,345	78,015	1,108
Professional Services	73,828	205,596	205,596	205,596	205,596	0
Total Other Charges	414,504	1,224,010	1,357,350	1,360,950	1,357,350	0
Total Acq. & Major Repairs	37,105	21,438	21,438	43,361	43,361	21,923
TOTAL EXPENDITURES AND REQUEST	<u>\$1,039,139</u>	<u>\$2,044,557</u>	<u>\$2,177,897</u>	<u>\$2,235,670</u>	<u>\$2,212,777</u>	<u>\$34,880</u>
AUTHORIZED FULL-TIME						
EQUIVALENTS: Classified	9	9	9	9	9	0
Unclassified	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
TOTAL	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>0</u>

SOURCE OF FUNDING

This program is funded with Fees and Self-generated Revenues. Fees and Self-generated Revenues are derived from the following: (1) a \$100 bond application fee and, if approved, one-fifteenth of one per cent of the appropriated amount for all public issues; and (2) a \$1,500 bond application fee and, if approved, 1/8 of 1% of the appropriated amount for all private issues.

ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$0	\$2,044,557	10	ACT 10 FISCAL YEAR 1999-2000
			BA-7 TRANSACTIONS:
\$0	\$133,340	0	Ba-7 providing funding for the rebate of excess bond commission fees. Originally budgeted at an estimated \$1,165,812, the actual requirement was \$1,299,152 (Fees and Self Generated Revenues)
\$0	\$2,177,897	10	EXISTING OPERATING BUDGET – December 3, 1999
\$0	\$7,035	0	Annualization of FY 1999-2000 Classified State Employees Merit Increase
\$0	\$7,337	0	Classified State Employees Merit Increases for FY 2000-2001
\$0	\$43,361	0	Acquisitions & Major Repairs
\$0	(\$21,438)	0	Non-Recurring Acquisitions & Major Repairs
\$0	\$6,913	0	Salary Base Adjustment
\$0	(\$12,542)	0	Attrition Adjustment
\$0	(\$7,686)	0	Salary Funding from Other Line Items
\$0	\$11,900	0	Other Adjustments - Additional operating expenses for Management Software
\$0	\$2,212,777	10	TOTAL RECOMMENDED
\$0	\$0	0	LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS
\$0	\$2,212,777	10	BASE EXECUTIVE BUDGET FISCAL YEAR 2000-2001
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE
\$0	\$2,212,777	10	GRAND TOTAL RECOMMENDED

The total means of financing for this program is recommended at 101.6% of the existing operating budget. It represents 98.4% of the total request (\$2,248,971) for this program. Recommended increases in this Program are attributable to adjustments for operational costs.

PROFESSIONAL SERVICES

\$176,800	Financial Advisor to the State Bond Commission
\$14,500	Other Professional Services for acquiring statistical data for the State Data Bank
\$14,296	Other Professional Services for Courtroom reporter for the minutes of the State Bond Commission, or other service deemed appropriate and necessary to carry out the mission of the Department
\$205,596	TOTAL PROFESSIONAL SERVICES

OTHER CHARGES

\$1,299,152 State Bond Commission rebate of excess fees

\$1,299,152 SUB-TOTAL OTHER CHARGES

Interagency Transfers:

\$38,804 Legal Services for the State Bond Commission, provided by the Department of Justice
\$19,394 LSU Intern Program

\$58,198 SUB-TOTAL INTERAGENCY TRANSFERS

\$1,357,350 TOTAL OTHER CHARGES

ACQUISITIONS AND MAJOR REPAIRS

\$43,361 Replacement of outdated data processing equipment

\$43,361 TOTAL ACQUISITIONS AND MAJOR REPAIRS